

Large crowds strain Epcot's food facilities

(Continued from page 1)

Epcot also represents the first time Disney has allowed outside entrepreneurs to own and operate their own restaurants and shops at one of its parks. This occurs at the French, Italian, Japanese and Mexican pavilions in World Showcase, an area of the park devoted to the history, architecture, culture and food of the United States and several foreign countries.

Restaurants in those four particular foreign pavilions are owned and operated by restaurateurs from those countries. (Story on pages 120-122.)

"Authenticity is the key to those four restaurants," said James P. Armstrong, vice president of resorts and food administration. "Every location has its own identity but they've all taken advantage of centralization."

He was referring to Disney's central commissary, located behind the Magic Kingdom, about three miles from Epcot. At the commissary, food is received, produced, stored and distributed. Because Disney orders food in such large quantities and maintains the inventories at the commissary, food costs to independent restaurateurs at Epcot are low. The Italian restaurant estimated a 23% food cost, for example.

Other World Showcase pavilions—the American, British, Canadian and German—maintain authenticity in architecture, decor and cuisine, but are operated by Disney. New foreign pavilions are being planned. Disney officers say arrangements may be made with independent restaurateurs for the Spain and China pavilions.

The independent operators purchase their supplies through Disney and pay the company a percentage of their profits.

All food-service locations in the second major area of Epcot—Future World—are operated by Disney. Future World is a collection of attractions and exhibits that all have some technological orientation. The word "Epcot" is an acronym for Experimental Prototype Community of Tomorrow. The center was a dream of company founder Walt Disney.

Future World food centers include the Farmer's Market specialty shops, a tablecloth restaurant called The Good Turn that revolves slowly above the market and food court, several fast-food locations designed in high-tech fashion (one of which, Sunrise Terrace, was not open in early October), and vending carts.

In nearly all cases the food centers are sponsored by some food company. The Farmer's Market, which includes ice cream, cheese, potato, barbecue, sandwich, bakery, beverage and soup and salad shops, is sponsored by Kraft and Seal-test. The Good Turn is also sponsored by Kraft.

Three fast-food centers in Future World—the 600-seat Stargate, the 500-seat Sunrise Terrace, and the 590-seat Odyssey—as well as the 525-seat Liberty Inn fast-food restaurant in the American pavilion in World Showcase, are sponsored by Coca-Cola. Canada's Le Cellier restaurant, a buffet, is sponsored by LaBatt's; the Rose and Crown Pub by Bass Ale and Guinness and the Biergarten in the German pavilion by Beck's Beer.

Randy Hiatt, manager of food research and project development, said these centers use the sponsor's product and the sponsor pays Disney an advertising fee.

"They can promote the association," Hiatt said. "It's a type of marketing approach for them."

This mix of fast-service and full-service dining throughout Epcot was determined by examining computer models for expected visitor preferences. The models were based on visitor patterns set at Magic Kingdom and the older Disneyland Park in Anaheim, Calif.

Hiatt said the computer showed that restaurants in Future World would have their highest concentration of customers at lunchtime and that fast finger foods would be preferred. The model also showed that customers would favor the tablecloth restaurants with the international themes at night.

But during Epcot's first few days, the unexpected crowds and some malfunctioning attractions resulted in the disruption of the model.

Disney spokesmen told the media that 36,542 people visited Walt Disney World on Oct. 1, Epcot's opening day. Although Disney would not break down that figure for Magic Kingdom and Epcot attendance, park employees said Magic Kingdom had its smallest crowds in years and estimated that 25,000 to 30,000 people were at Epcot.

Many visitors complained that there were not enough food stands and that it was nearly impossible to get into the high-quality restaurants. Many waited an hour or more to get into a foreign-pavilion restaurant.

To deal with the problems, Armstrong increased the number of food-service employees at the park, added about a half dozen beverage carts throughout the grounds, and installed a picnic-lunch facility in front of the American pavilion and a snack counter by the German pavilion. Restaurateurs changed their reservations policy to eliminate waiting and the frustration of guests.

Hiatt said Epcot has enough food locations to feed larger-than-expected crowds but that there were problems that opening weekend. One was that a major fast-food facility had not been opened.

Another was a "unique problem," he said. At Magic Kingdom, visitors normally eat two meals in a day—only about 15% eat breakfast. But at Epcot that first day many arrived early to watch the opening ceremonies. "They were very hungry," he said, "so they hit us early and ate often."

He added that if "the trend continues, it will be a good problem to have."

The attractions in Future World also became a food-service problem. At various times during that first weekend several attractions—including Epcot's dominant architectural symbol, Spaceship Earth, a 16-million-lb., 180-ft.-high aluminum-alloy sphere that featured a ride and some dazzling light, sound and animatronics effects—were not working because of computer or mechanical problems. This resulted in a major shift in traffic from Future World to World Showcase, which upset the computer model's predictions. The fine-dining restaurant in the Mexican pavilion, for instance, was completely full by noon, the owner said.

But, problems aside, the famous Disney attention to detail was evident throughout the park and its food centers. Preparations had been made for five or six years for this opening. Special kitchens were designed only after conceptual

menus had been developed for each restaurant. New recipes and menu items and equipment were tried out in the commissary's test kitchen. Careful computer projections for recipes and inventories were utilized for the most efficient purchasing. New methods or systems were developed: for example, a new way of reheating tortillas to meet large demand and an extensive exhaust system for the smoky Teppanyaki dining rooms.

The concept of "show" is also very important to Disney. For instance, in the Japanese restaurant, curtains are hung at the doors between the kitchens and the Teppanyaki dining rooms so that customers do not have to see an unsightly service area.

Some restaurateurs in the World Showcase complained that Disney's desire to open to the public Oct. 1 caught them unprepared; with rooms unfinished, for example. But Disney officers maintained that the Epcot Center will, in a sense, never be completed because changes and additions will always be made.



The Biergarten restaurant (above) lends old-world authenticity to the German pavilion.

EPCOT CENTER FOOD DATA

Facility	Seating	Style	Projected Hourly Meal Capacity	Projected Average Check (L = lunch D = dinner B = breakfast)
FUTURE WORLD				
Land Pavilion:				
Farmer's Market	350	fast	1,000	\$ 3.95 (L & D)
The Good Turn	228	table	230	2.55 (B) 6.69 (L) 12.68 (D)
Communicore:				
Stargate	600	fast	1,420	2.78
Sunrise Terrace*	500	fast	1,420	3.76
East Restaurant:				
Odyssey	590	fast	1,420	2.72
World Premiere	260	cafeteria	—	—
Ice Cream Wagons†	(12)	vending	—	—
WORLD SHOWCASE				
Mexico:				
San Angel Inn	165	table	165	6.00 (L) 11.00 (D)
Lounge	45	beverage	—	—
Cantina de San Angel	90	snack	290	2.43
Germany:				
Biergarten	350	table	350	6.79 (L) 10.20 (D)
Japan:				
Mitsukoshi Restaurant	160	table/teppan	160	7.30 (L) 13.48 (D)
Tempura Kiku	25	counter	25	8.00 (L) 15.00 (D)
Matsu No Ma Lounge	60	beverage	—	—
Yakitori House	110	snack	280	2.15
Britain:				
Rose and Crown Pub	140	table	100	5.98 (L) 9.81 (D)
Canada:				
Le Cellier Restaurant	170	buffet	280	6.65 (L) 7.12 (D)
France:				
Les Chefs de France	150	table	150	8.43 (L) 22.47 (D)
Au Petit Cafe	50	table	50	9.50
Patisserie	40	counter	—	1.50
Italy:				
L'Originale Alfredo	250	table	230	8.00 (L) 16.00 (D)
American Adventure:				
Liberty Inn	542	fast	1,180	2.54
Employee Snack	100	counter	—	—
Popcorn Wagons†	(2)	vending	—	—

*This facility was not open at presstime.

†More have been added since opening day.

Source: NRN Research

FINANCIAL NEWS

DeBiase: August sales gains 'impressive'

NEW YORK—Leading food-service chains showed a 3.1% real sales rise (comparative unit sales minus menu price rises) in August, compared with the previous August. This was less than the 3.9% real sales gain of the same chains in July over the previous July and marked the second straight year that, for whatever reason, real sales increases slipped from July to August.

Still, the gains continue to be impressive, according to Colonia, N.J.-based Carl DeBiase's Restaurant Industry Trends extensive store surveys of 17 chains.

"August's figures signaled an end to the first phase of the food-service industry's sales recovery without much help from

the economy," DeBiase said. "As we move into the second phase, the rate of industry sales gains should plateau until the economy clearly begins moving ahead."

Jack in the Box, sparked by new salad and breakfast products, showed the fastest comparative real sales gain for August, a 16% rise over the previous August.

Other leading gainers for August were Taco Bell, up 8% in real sales after only a 1% July increase; Friendly Ice Cream, up 7% after a 9% July rise; Pizza Hut, 6% after a 10% July increase; Dunkin' Donuts, up 6% in both July and August; McDonald's, 5% following a 1% July boost, and Burger King, 4% after a 6% July rise.

Meanwhile, Winchell's dropped 6% after a 1% July increase; Long John Silver's was off 2% after being off 4% in July, and Ponderosa dipped 2% after gaining 1% in July. Sambo's, with no menu price rise in a year, was virtually flat.

Menu price rises for the 17

chains averaged only 3.5% in August compared with the previous August. This was the same menu price increase as July showed, suggesting real sales and customer count gains could be attributed to a more faithful holding of the line on prices now

Lums coffee shops seeking buyer

MIAMI—At presstime, the 220-unit Lums coffee shop chain was still looking for a buyer following Chapter XI bankruptcy filing by two of its subsidiaries, which combined operate all of Lums' 70 company-owned stores.

Lums Restaurant Corp., the licensing parent, has not filed a

bankruptcy petition, although some franchisees have reportedly begun withholding royalty payments.

Lums and another United States chain, the International House of Pancakes, are owned by Wienerwald, which filed the European version of Chapter XI in August.

Marriott posts profit gain

BETHESDA, Md.—Marriott Corp. has reported a 5.7% earnings increase to \$29.8 million in the third quarter ended Sept. 30 compared to \$28.2 million in the same quarter a year ago.

Revenues

Revenues in the period jumped 25.5% to \$631.6 million from \$503.4 million in the 1981 third quarter.

For the first 36 weeks of 1982, Marriott reported net income of \$69.2 million, up from \$64.4 million the same period a year earlier, on revenues of \$1.7 billion, up from \$1.3 billion a year earlier.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION						
Name	Symbol	Two Weeks Ended Oct. 8							Price Trend (% per day)		Volume Trend (% per day)		Latest 12 Months vs Preceding 12 Months Change	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Divd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date			
		High	Low	Close	Change		52-Week		Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days					Last Fiscal Year	Aml.		Pct.	Aml.					Yield	Revenue	Earnings
					Aml.	Pct.	High	Low																				
		\$	\$	\$	\$	%	\$	\$	%	%	%	%	\$	\$	%	%		\$	%		\$ Mil.	\$ Mil.		\$	\$			
Aca Los A Res	ALAR	5.63	5.50	5.63	-.13	-2.17	7.50	3.50	-.45	-1.73	-2.00	-7.14	.47	-.43	N	-95.5	-25.0	4.3	281.3	.00	.0	01-06-81	27.7	1.2	2.4	5.69	2.90	1081
Am Motor Inns	INN	22.63	19.38	22.25	2.38	11.95	22.63	12.00	.27	.61	2.04	32.02	2.17	.44	F	25.4	35.0	7.0	10.3	.22	1.0	08-10-82	142.3	8.9	1.5	15.62	10.87	0781
ARA Services	ARA	34.38	31.50	34.13	.63	1.87	34.38	23.50	-.11	-.09	-3.69	23.47	4.00	-1.28	N	-27.0	-2.0	1.5	9.9	2.00	5.9	08-26-82	2915.9	45.1	1.2	21.04	44.21	0981
Assoc Hosts	AHST	5.75	5.75	5.75	.00	.00	6.50	4.88	-.02	-1.97	-.51	-3.30	.66	-.01	N	-1.5	-10.0	2.6	9.1	.12	2.1	09-07-82	79.9	2.1	1.5	6.40	7.04	0981
Beefstik Char	BSCC	5.50	5.00	5.25	-.25	-4.55	6.50	2.88	-.09	-1.55	2.59	3.15	.62	.16	N	25.3	33.0	2.4	6.6	.00	.0	00-00-00	86.2	2.1	1.2	1.49	3.09	1081
Bob Evans Farms	BOBE	25.25	24.00	25.25	.25	1.00	25.75	17.94	-.09	-.75	-.34	22.73	1.45	.20	Q	16.0	24.0	7.9	17.4	.36	1.4	08-16-82	173.4	13.7	1.7	.00	6.90	0482
Bonanza Intl Inc	BNZA	1.88	1.75	1.88	.13	7.14	2.38	1.06	-.38	-1.96	4.50	-72.44	-3.33	-2.56	S	NE	-65.0	-61.8	NE	.00	.0	00-00-00	24.1	-14.9	1.2	11.24	1.50	1281
Brock Hotel Cp	BHC	14.00	11.88	12.50	.50	4.17	17.50	9.63	-.31	-3.58	2.36	6.53	.59	.40	S	129.0	24.0	4.3	17.6	.10	.8	09-27-82	165.1	7.1	1.2	11.01	3.90	1281
Calny Food	CLNY	10.50	10.00	10.50	.00	.00	10.50	7.16	.76	-1.47	5.22	-14.24	1.11	.13	S	13.4	6.0	3.2	9.5	.20	1.9	07-29-82	37.0	1.2	.6	1.51	2.27	0282
Carrolls Develop	CRL	7.88	6.50	7.50	.88	13.21	7.88	4.13	.97	.04	5.82	-36.34	.66	.27	F	69.2	44.0	1.9	11.4	.09	1.2	12-24-81	68.6	1.3	.6	9.82	5.99	0582
Chart House	CHHO	23.13	21.50	23.00	.00	.00	23.63	15.88	-.29	-1.34	-.60	-7.87	2.03	.23	S	12.4	14.0	5.0	11.1	.60	2.6	09-24-82	353.9	17.7	.9	14.53	10.14	1281
Chi-Chis	CHIC	23.00	21.00	23.00	1.75	8.24	23.00	11.09	.63	-.25	-.02	-6.39	.55	.22	Q	55.0	26.0	11.1	37.1	.00	.0	06-28-82	14.9	2.1	3.1	1.10	1.23	0481
Ch Full O Nut	CHF	18.25	16.00	17.25	.50	2.99	18.25	9.25	.08	-1.04	3.16	-22.46	.34	-.32	F	-48.4	15.0	1.4	50.7	.40	2.3	07-01-82	118.7	3.2	3.4	.80	5.42	0781
Churchs Fr Ch	CHU	35.63	30.88	35.50	4.13	13.15	35.63	25.00	.00	1.06	-2.62	22.07	3.52	-.06	N	-1.7	16.0	10.8	10.4	1.00	2.8	10-25-82	412.1	44.6	1.9	1.02	15.25	1281
Cindys Inc	CNDYC	3.75	3.63	3.75	.00	.00	3.88	2.50	.78	-.91	.42	-4.21	-.06	1.37	F	NE	NE	-6	NE	.00	.0	00-00-00	17.0	-.1	.0	7.17	.29	1281
Collins Foods	CF	18.00	15.88	17.75	1.50	9.23	18.00	8.44	-.11	.77	-6.81	3.98	1.69	.57	Q	43.8	15.0	3.2	9.5	.24	1.4	09-24-82	298.0	9.6	1.3	7.44	10.69	0482
Consul Corp	CNSL	8.63	8.00	8.63	.25	2.99	8.63	5.25	.56	-.08	.26	-17.17	.00	-.08	Q	-88.8	NE	.0	862.5	.00	.0	00-00-00	17.6	.0	.7	2.21	2.88	0582
Cracker Barrel	CBRL	13.50	10.75	13.50	2.25	20.00	13.50	7.25	.65	3.30	2.43	-8.00	1.03	1.03	F	NC	19.0	3.7	13.1	.00	.0	00-00-00	28.5	.9	1.0	5.41	2.74	0781
Dennys Inc	DEN	31.63	26.38	31.50	3.75	13.51	31.63	17.50	-.21	1.42	.31	-5.39	2.47	.45	F	22.2	7.0	3.9	12.8	.64	2.0	09-03-82	955.7	36.8	1.4	15.81	15.02	0682
Dunkin Donuts	DUNK	23.88	20.38	23.88	3.63	17.90	23.88	11.13	.40	.77	2.15	13.50	1.82	.25	N	14.0	19.0	8.3	11.8	.36	1.5	08-09-82	68.7	5.7	1.3	11.44	10.61	1081
Frischs	FRS	10.88	10.00	10.13	-.50	-4.71	11.63	6.25	.09	-1.39	1.35	2.53	1.87	.50	F	36.4	14.0	3.8	5.4	.40	4.0	09-29-82	101.0	3.8	1.5	6.48	14.12	0582
Hamborg Hamlet	HAMB	5.75	5.75	5.75	.00	.00	8.25	5.00	-.11	-1.97	10.19	92.86	1.35	1.08	F	400.0	-13.0	3.2	4.3	.00	.0	00-00-00	31.6	1.0	.7	20.45	13.07	0382
Hardwicke	HAWK	1.75	1.75	1.75	.00	.00	4.38	1.38	-.17	-2.11	5.40	-11.11	-2.22	-3.88	S	NC	-62.0	-11.4	NE	.00	.0	00-00-00	30.6	-3.5	1.4	18.38	8.12	0981
Hilton Hotels	HLT	41.00	34.88	40.75	4.38	12.03	41.63	27.63	-.16	2.14	.28	6.60	4.22	-.37	S	-9.0	22.0	20.9	10.9	1.80	4.4	08-30-82	539.3	112.6	2.0	4.48	19.98	1281
Holiday Inns	HIA	37.50	31.63	37.13	2.75	8.00	37.50	23.75	.21	.74	-4.58	21.74	3.66	1.20	S	47.8	25.0	7.8	10.0	.80	2.2	09-13-82	1765.1	137.4	.8	20.99	25.33	1281
Holiday Inns A	HIA A	55.13	49.88	55.00	3.00	5.77	55.13	36.00	.29	.74	1.33	84.00	NA	NA	A	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	19.38	17.50	19.00	.59	3.23	19.38	7.13	.36	.05	-3.22	49.49	.95	.07	S	8.5	30.0	2.7	21.3	.00	.0	09-27-82	166.1	4.5	1.7	11.45	6.30	1281
Hungry Tiger	HTIG	9.50	8.00	9.50	1.00	11.76	10.50	6.00	-.37	.44	-.41	-15.33	.92	.18	N	20.4	41.0	3.2	9.0	.00	.0	08-24-81	49.9	1.6	.8	5.84	4.09	0881
Imperial Grp	IMT	1.88	1.75	1.81	.06	3.57	1.88	1.06	-.02	-2.08	-5.19	-11.54	.24	.00	F	.0	2.0	2.0	7.6	.14	7.7	09-28-82	8462.9	171.0	1.1	.65	2.08	1081
Intl Dairy Queen	INDQ	17.50	16.25	17.50	1.25	7.69	17.50	9.25	.27	-.04	2.60	-13.64	1.72	.44	N	27.1	38.0	6.1	8.5	.00	.0	00-00-00	91.3	5.6	1.1	9.68	5.82	1181
Int King Tab	IKNG	5.25	5.00	5.25	-.13	-2.33	5.50	1.75	.27	-.52	-2.93	-22.19	.33	.98	F	NE	-33.0	1.4	15.9	.00	.0	10-09-79	36.6	.5	.3	4.09	3.77	0682
JBs Rest	JBBB	7.38	6.63	7.38	.13	1.72	7.63	2.88	.34	.72	2.13	-2.51	.63	.29	N	53.7	1.0	3.0	8.9	.16	2.2	08-09-82	36.4	1.1	.9	5.18	5.01	0981
Jerrico Inc	JERR	23.50	21.13	23.50	2.25	10.59	23.88	15.63	-.22	-.85	-3.77	28.84	1.75	.07	F	4.1	20.0	5.1	13.4	.12	.5	05-10-82	425.5	21.8	.9	3.64	11.24	0682
Kapok Tr Inns	KTI	3.50	3.00	3.50	.38	12.00	4.50	3.00	-.39	1.60	-3.78	81.82	-.24	-.17	N	NE	-31.0	-2.9	NE	.00	.0	00-00-00	13.8	-.4	3.1	1.93	5.84	0981
Kelly Johnston	KEJO	21.75	19.63	21.75	2.13	10.83	21.75	13.00	.19	.31	4.66	7.21	.89	.27	Q	42.8	111.0	8.4	24.2	.00	.0	00-00-00	17.9	1.5	.9	1.34	6.60	0382
Karcher Carl	CARL	17.75	15.63	17.75	2.00	12.70	17.75	8.88	.07	1.34	-1.85	6.72	1.51	1.69	S	NC	16.0	3.4	10.5	.00	.0	00-00-00	200.6	6.9	1.9	6.43	8.34	0182
Lubys Cafe	LUB	30.25	27.50	30.25	1.38	4.76	32.00	24.50	-.01	.05	-.79	-52.31	1.45	.25	N	18.1	23.0	9.1	18.6	.60	2.0	09-03-82	108.2	9.8	1.1	.90	5.98	0881
Marcus Corp	MRCB	7.13	6.75	7.13	.00	.00	7.25	5.00	-.25	-.91	.14	33.11	1.13	-.03	Q	-2.5	4.0	5.7	6.3	.00	.0	08-24-81	103.8	5.9	.8	2.98	9.76	0582
Marrnott Corp	MHS	50.25	44.63	50.00	1.75	3.63	50.25	32.00	.23	.56	.52	-1.50	3.20	.37	S	12.6	30.0	4.3	15.2	.30	.6	09-20-82	2000.3	86.1	.9	23.23	16.12	1281
McDonalds Cp	MCD	62.00	53.38	60.25	2.22	3.82	62.00	38.69	-.02	-.40	.76	13.95	4.36	.62	S	15.3	18.0	10.7	12.9	.88	1.5	10-15-82	2477.2	264.8	.5	15.35	22.73	1281
Morrison Inc	MORR	14.25	12.00	14.25	2.13	17.53	14.25	8.13	.31	-.41	.96	1.71	1.16	.28	Q	29.1	8.0	4.1	11.5	.36	2.5	10-08-82	364.3	15.1	1.4	2.95	7.90	0582
Mr Steak	MSST	2.38	2.00	2.38	.50	26.67	3.38	1.75	.68	.61	.62	-26.85	.22	-.47	N	-293.7	-23.0	.5	NE	.00	.0	05-29-80	55.7	.3	1.4	3.45	4.70	0981
Nathans Famous	NATH	1.06	1.00	1.06	.00	.00	1.78	.59	.10	-1.88	-3.76	58.33	.03	.79	Q													

McD mobilized for broader overseas campaign

By Joe Edwards

OAK BROOK, Ill.—Despite considerable economic, political and social problems in countries targeted for expansion, McDonald's billion-dollar-plus international division is stepping up unit development outside the United States.

McDonald's expansion strategy calls for forays into countries controlled by Communists, right-wing dictators and democratically elected governments. The world's largest restaurant company apparently is more concerned with boosting sales and profits than worrying about political ideologies.

At headquarters here, executives are making plans to open units in countries as diverse in their geography, customs and politics as Taiwan, Poland, Philippines, Italy, Yugoslavia, and Brazil. Some are new markets, some just barely developed.

Overseas expansion promises big bucks for United States-based food-service companies and McDonald's and its competitors have been ready and willing to collect what they consider is their fair share of a growing market.

Sometimes politics and economics get in the way of the most carefully drawn plans. Dissension and the imposition of martial law in Poland has led to the postponement of the opening of the first McDonald's in that country. The dire financial plight of Mexico may delay the opening of three units in Mexico City.

Still, international development offers fast feeders a potentially lucrative market. About 1,200 McDonald's now are operating in 29 foreign countries and territories. International division sales were \$1.3 billion in 1981 and represented 19% of total systemwide sales of \$7.1 billion. By comparison, there were 720 foreign McDonald's units in 1978 with \$727 million in sales.

The foreign fast-food market offers lusty possibilities. Relatively few American-based chains are expanding overseas, where fast-food is catching on and where competition is limited. Even in Japan, where McDonald's has 313 units, the market is nowhere near saturation, according to Den Fujita, McDonald's affiliate.

The first sign that McDonald's was accelerating its international division expansion came early this summer when Edward H. Schmitt was named to the newly created post of board vice chairman by Fred L. Turner, McDonald's chairman and chief executive. Schmitt

was replaced as corporate president by Michael Quinlan, also president of McDonald's U.S.A.

Turner explained at the time that the promotion would enable Schmitt to devote more time to international development even though some observers believed Schmitt was being moved upstairs to make way for Quinlan, 19 years Schmitt's junior and a shining star in McDonald's hierarchy.

Turner's stated reasons for promoting Schmitt evidently were on target, and in just a few months Schmitt has moved quickly. Recent international division developments include:

- McDonald's objective of increasing the division's contribution to overall revenues by five percentage points in the next five years.

- The decision to develop the Mexican market with an affiliated company. Three McDonald's restaurants are planned for Mexico City, possibly opening in 1983.

- The disclosure by Turner that McDonald's plans to move into Eastern Bloc nations in the next few years. McDonald's is looking specifically at development in Yugoslavia, Hungary, East Germany, and Poland.

- McDonald's plans to open units in Taiwan on the other side of the world and on the opposite end of the political spectrum. The company has received permission from the Taiwanese Government to build a food processing plant to serve Southeast Asia and Japan.

- McDonald's has rid itself of its Paris-area licensee and has regained development rights for the lucrative French market after a lengthy and bitterly fought court battle.

- The company is looking at possible development in Italy where a recent survey showed Italians spend less than 30 minutes eating lunch, suggesting a market exists for fast food. The company also is planning to step up expansion in Brazil, where it now has six units.

At the end of 1981, the number of international division units was 2½ times greater than the number just five years ago. Division sales had a compound annual growth rate of 32% from 1976 to 1981 and revenues a compound annual growth rate of 23% in the same period.

International division sales represented 19% of total systemwide sales in 1981, compared to 16% in 1978. Sales were up 15% in 1981 over 1980, even though the per cent of systemwide sales remained flat. The company blamed that on



Edward Schmitt:
Directing McDonald's international expansion.

the impact of a stronger U.S. dollar on foreign currencies in 1981.

Outside the United States, McDonald's greatest presence is in Canada, where there are 389 units; Japan, 313 units; Germany, 155 units, and Australia, 123 units. Other countries and territories where McDonald's has restaurants are Sweden, Denmark, Ireland, England, Netherlands, Belgium, Switzerland, Austria, Spain, Brazil, Netherlands Antilles, Virgin Islands, Puerto Rico, the Bahamas, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Guam, New Zealand, Philippines, Singapore, and Hong Kong.

McDonald's opened its first restaurants in Spain, Denmark and Philippines in 1981.

McDonald's owns and operates international division units, franchises them to licensees or operates them with an affiliated company with McDonald's owning 50% or less of the equity. The number of company-owned, franchised and affiliated units are about evenly split.

Most company-operated units are in Canada, Australia and Germany while most franchised units are in Canada, Western Europe, Australia, and Central America. Affiliated units operate in Japan, England and Hong Kong.

One of the brightest spots in McDonald's international division is Japan, where McDonald's and joint venture partner Den Fujita operate 313 restaurants. Fujita opened his first restaurant in July 1971. In 1981, his company reported more than \$18 million profits on \$270 million sales. Fujita forecasts a 20% increase in profits to more than \$23 million this year.

In an interview earlier this year, Fujita said Japan can support as many as 1,000 McDonald's restaurants. He is opening 50 restaurants this year. He serves the same products as his counterparts in the United

States and has been adding drive-through windows at some units.

While the joint venture in Japan is working well, McDonald's wasn't so successful in France where it was involved in a 10-year court battle with its Paris-area licensee, Raymond Dayan.

McDonald's sued Dayan claiming 12 of his 14 Paris restaurants were filthy and not operating up to company standards. A Chicago judge last month revoked Dayan's development license and ordered the franchisee to remove all McDonald's signs, equipment and trademark material from the 12 restaurants.

Dayan, claiming McDonald's sued him to win back development rights for the surprisingly lucrative Paris market, is appealing the court decision. Dayan said his average unit volume of \$2 million far exceeded McDonald's expectations when they awarded him rights to develop more than 150 units more than 10 years ago.

Dayan also noted that he pays only 1% of gross sales to McDonald's while other international division franchisees pay between 5% and 10% of gross sales.

McDonald's plans to re-establish itself in the Paris market although the company has not released specific plans, according to executive vice president Donald P. Horwitz.

There are other problems developing markets in foreign countries. Costs are generally higher than in the United States. In 1981, land, building and equipment costs for the average freestanding McDonald's restaurants in Canada and Germany were in excess of \$1 million, compared to \$750,000 in the United States.

In some countries, average unit sales are higher—Dayan's Paris units averaged \$2 million in 1981, compared to \$1.2 million for the average domestic unit. Average checks in West-

ern Europe are about \$3.25-\$3.50 per person, about 50¢-70¢ higher than in the United States.

Since McDonald's is as much a stickler for consistency of product in foreign countries as it is in this country, supplies are another problem. The processing plant in Taiwan is crucial to McDonald's development in Southeast Asia.

In Poland, McDonald's is conducting its second experimental harvest of russet Burbank potatoes, which are not otherwise grown in Europe. The test harvest continues even though the opening of the first McDonald's restaurant in Poland has been delayed because of political and social unrest. The McDonald's unit in that country will be one-third owned by the Polish Government.

Economic woes in Mexico, which have brought that country to the brink of bankruptcy, may delay the opening of the first three McDonald's units in Mexico City. Problems may hamper development in Hungary, Yugoslavia, East Germany and parts of Central and South America.

None of these problems has deterred McDonald's, however. Of the more than 500 new restaurants being opened by the company this year, about 140-150 will be in foreign countries. In 1983, as many as 180 McDonald's units will open outside the United States, with most growth expected in England, Brazil and Mexico.

In Europe alone, where the fast-food market is still in its embryonic stages, annual sales are estimated at \$1 billion.

McDonald's is not alone among U.S.-based fast feeders and other food-service companies in trying to develop not only the European market, but other international markets as well.

Kentucky Fried Chicken, one of the first American fast-food chains to grow overseas, now has close to 2,000 restaurants in foreign countries—or 29% of its total.

Wendy's and Burger King are posting a faster rate of expansion than either McDonald's or KFC but on a smaller base, according to a study by a consulting firm.

Burger King is growing overseas at a rate of 39% and Wendy's 29%. Other U.S.-based food-service firms with a significant presence in markets outside the United States include Dairy Queen, 546 units; Mr. Donut, 428 units; Baskin-Robbins, 382 units; Taco Bell and Pizza Hut, 224 units; Denny's, 191 units; Burger King, 168 units; Ponderosa, 110 units, and Wendy's, 109 units.

Restaurant sales overtake sausages at Bob Evans

COLUMBUS, Ohio—Bob Evans Farms, operator of 82 dinnerhouses, reported net profit remained constant at \$3.2 million for the first quarter of 1982 ended July 30 compared to the same period a year earlier. Sales increased 12% to \$44.4 million for the quarter.

The company's restaurant division accounted for 56% of its total sales during the period, increasing its contribution 16% to \$25.8 million.

The division's 7% hike in profits during the quarter to \$2.2 million pushed the restaurant division into the leading money-maker for Bob Evans. The company's principal business had been retail sausage sales.

The company opened three new restaurants during the quarter, bringing to 13 the

number of new operations which this normally conservative company has opened during the last year. Seven more restaurants are under construction, with six more planned for completion by the end of the fiscal year.

Bob Evans Farms may develop restaurants in more major markets in the next few years. The company's sausage division recently completed plans to test market its product line in Atlanta and in Knoxville and Chattanooga, Tenn., this winter. It also plans to test market sausage in the Chicago area.

The development of restaurants in new markets, chief executive officer Daniel Evans has said, often follows the sausage which introduces the Bob Evans name to the market.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Int'l Multifoods	13 wks. 6 mos.	8/31	\$266.600 526.318	(18) (5)			\$ 8.100 13.400	15 17
Beefsteak Charlie's	40 wks. 12 wks.	8/31	76.204 23.344	15 3			3.797 1.005	43 9
Morrison Inc.	13 wks.	8/28	102.962	20			4.007	14
Skipper's Inc.	36 wks. 12 wks.	9/5	25.251 8.797	8 12			534.000 267.000	(23) 12
Chock Full o' Nuts	12 mos. 13 wks.	7/31	115.769 28.655	(2) (0.1)			5.365 (111.000)	(9) (81)
Marriott Corp.	13 wks.	10/5			\$631.6	25	29.800	6

Source: Company earnings reports

—loss in corresponding period

*In millions

†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

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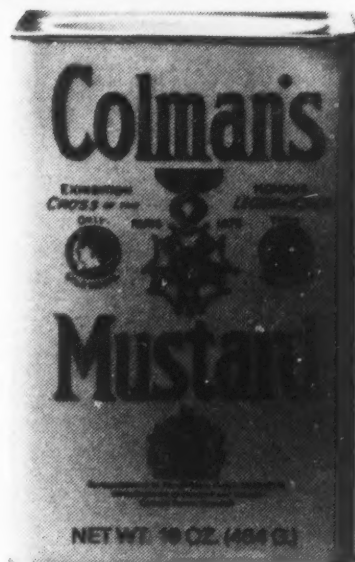


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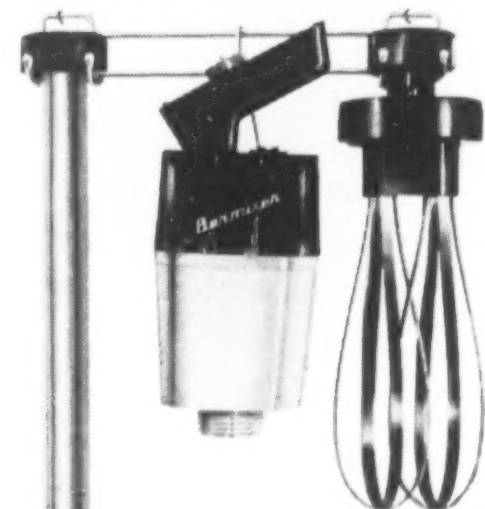
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Personal management style sets popular Old French House apart

BILOXI, Miss.—A personal management style and a traditional Gulf Coast menu have built a one-time cocktail lounge into one of this small city's most well-known and highest-grossing establishments.

The management style of the Old French House comes from its proprietor Mary Mahoney, who takes personal service so seriously she once chased a couple into the parking lot with an anniversary gift from the restaurant.

Its culinary style comes from a veteran chef and maitre d' who came out of retirement to create much of the restaurant's menu and devise its operations systems.

Together with much of Mahoney's family they have given the restaurant annual sales of over \$2.1 million and a reputation that stretches from Louisiana to Alabama.

Mahoney attributes this record to her belief that "people are the most important thing" for a restaurateur.

"Word of mouth is our only advertising here," she says. "People come back and tell us, 'We had our wedding reception here' or 'We ate here five years ago.' When somebody tells us they are celebrating a special occasion like an anniversary, I always try to do something for them."

This habit is hard to give up, Mahoney says.

"Once, I realized that I let a couple go without giving them anything. I grabbed a pair of the dining room's coffee mugs and chased the people into the parking lot, but it was too late. 'I felt just terrible.'"

Even now, Mahoney is somewhat surprised the restaurant caught on. She and her husband Robert didn't want a restaurant when they opened a cocktail lounge in the building in 1964. But they installed one because they thought city officials and skeptical neighbors might frown on the new business otherwise.

In keeping with the entrepreneurial spirit of its founders,



The Old French House occupies this pre-Revolutionary War mansion, originally built in 1737. Renovations have done little to change the building's outward appearance.

the Old French House was remodeled by Mahoney and her brother: "He did the construction; I did most of the dreaming."

They decided to leave the building's appearance basically the way they found it. The townhouse and surrounding outbuildings, are steeped in the area's Spanish and French colonial history. Built in 1737, it is one of the oldest buildings in Mississippi and is rumored to have once been the residence of the French Governor of the Louisiana Territory.

The proprietors also kept the interior of the main house intact. They repaired the damage to its walls and ceilings, and restored many of the architectural details of its era. The rooms of the house are now used as individual dining rooms.

This is especially convenient to regular customers of the Old French House, many of whom use the restaurant for enter-

taining small parties and who prefer semiprivate rooms.

The former slave quarters and the outside kitchen—standard features for Gulf Coast townhouses of the era—are also part of the restaurant and bar.

But the Old French House has expanded beyond its original walls in recent years.

The conversion of the back yard into a garden room has made for additional dining space. A nearby building, formerly a newspaper office, is now a hall for receptions and large parties.

The old courtyard, another standard feature of French colonial architecture, is used for parties and receptions.

The success of the restaurant has fueled a series of family enterprises. A small mall now radiates from the restaurant. It contains a 24-hour coffee shop, an outdoor cafe and a Mexican market, and is becoming a so-

(Continued on page 145)

Meal-lodging cost index up 12%

ROCHESTER—From mid-1981 to mid-1982, the rise in the cost of meals and lodging in American cities ranged from as little as 2% to over 21%, according to the latest Runzheimer Meal-Lodging Cost Index.

The survey of 50 United States cities indicated Jacksonville, Fla., led the inflationary spiral with a 21% increase over mid-1981 levels, with two other cities, Seattle, Wash., and Kansas City, posting 20% increases in average food and lodging costs.

At the other end of the cost spectrum, Cheyenne, Wyo., showed only a 2% increase for the year, followed by Springfield, Mass., with 4% and Detroit and Fort Wayne, Ind., each with 5%.

The overall average increase for the 50 cities was 12%, nearly 5% greater than the nation's inflation rate for the same period.

The Runzheimer study represents average meal costs for breakfast, lunch and dinner typically incurred by business travelers in upscale restaurants, plus average room rates for first class hotels and motels. The 50 cities surveyed represent a cross-section of large (over one million population), medium (500,000 to one million), moderate (100,000 to 500,000) and small (under 100,000) cities.

CHANGES IN MEAL AND LODGING COSTS

(Mid-1981 to mid-1982)

Cities Showing Highest Increase	Per cent Increase
Jacksonville, Fla.	21%
Kansas City, Mo.	20
Seattle, Wash.	20
Sacramento, Calif.	18
Harrisburg, Pa.	17
Washington, D.C.	16
Fresno, Calif.	16
Rochester, N.Y.	16
Pittsburgh, Pa.	16
San Antonio, Tex.	16
Cities Showing Smallest Increase	
Cheyenne, Wyo.	2
Springfield, Mass.	4
Detroit, Mich.	5
Fort Wayne, Ind.	5
Kalamazoo, Mich.	6
Spokane, Wash.	8
Tucson, Ariz.	9
York, Pa.	9
Charleston, W. Va.	9

Source: Runzheimer Meal-Lodging Cost Index